DEPARTMENT OF STATE INSTRUCTION

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NO.: CA - 4574 November 30, 1956

SUBJECT: Bilateral Agreement for Development Assistance - Libya

773.5 MSP/11-3055 CS/F

This Document Must Be Returned to RM/R Central Files

TO: The American Embassy TRIPOLI

RPTD INFO: American Embassy and USOM, BENGHAZI

Attached is a draft note to be exchanged with the Libyan Foreign Office for purposes of concluding a development assistance agreement. The Embassy is authorized to proceed, in coordination with the Director/USOM, with the negotiation and execution of the proposed agreement with the Government of Libya in accordance with the draft note, in order that firm plans can be concluded for the use of the $7 million specified in the note of April 4, 1956.

No change should be made in the attached draft note without prior approval from the Department and ICA/W.

Upon conclusion of the exchange of notes it is requested that there be transmitted to the Department for the attention of the Assistant Legal Adviser for Treaty Affairs, in accordance with 4 FSM 226, a certified copy of the Ambassador's note to the Foreign Office and the signed original of the note in reply from the Foreign Office, a copy of the latter being certified by the Embassy for retention in the Embassy files.

DEPARTMENT OF STATE A/GDS/HR HOOVER, ACTING
REVIEWED BY G.M.Razi DATE May 6, 1982
RDS for NEXT REVIEW DATE
TS AUTH.
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Enclosure:

Proposed note.

S/S-CA

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DRAFTED BY: ICA/GC:HGReed:bmg:NEA/AFN:GDolgin:deh

APPROVED BY: AFN - Leo G. Cyr

CLEARANCES: 11/9/56

L/MSA - Mr. Gray
U/MSA - Mr. Todderidge
ICA/GC-HReed
DD/O - DAFitzGerald
ICA/O/AFE:WEMoran,Jr.
SVanDyke

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"Excellency:

I have the honor to refer to discussions between our two Governments with reference to a development assistance program supplementing the program for development purposes referred to in the exchange of notes signed at Tripoli on June 27, 1956. As both Governments recognize that further economic assistance can promote economic development and stability in Libya, and considering that, under legislation enacted by the Congress of the United States, the United States is enabled to furnish such further assistance to the Government of Libya, it is deemed desirable to set forth the understandings which will govern the furnishing of such assistance by the Government of the United States, the receipt of such assistance by the Government of Libya and the measures which the two Governments will take individually and together in furtherance of the above objectives.

These understandings are as follows:"

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Paragraph I

The Government of the United States, subject to the terms and conditions specified in applicable United States laws and regulations and the provisions set forth in this Agreement, will furnish such development assistance or authorized related assistance to the Government of Libya as may be requested by the Government of Libya and approved by the Government of the United States. Such assistance will be furnished in such form, on such terms, and pursuant to such additional arrangements as may be agreed upon between appropriate representatives of the agency designated by the Government of the United States to administer such assistance and representatives of any agency or agencies designated by the Government of Libya, or between other designated representatives of the two Governments. Commodities or services furnished hereunder may be distributed within Libya on terms and conditions mutually agreed upon by such representatives. To the extent that commodities to be provided pursuant to this Agreement may be obtained other than by United States Government procurement, the Government of Libya will cooperate with the Government of the United States to assure that procurement will be at reasonable prices and on reasonable terms. Assistance provided hereunder shall be in addition to that provided under the technical cooperation programs conducted pursuant to the General Agreement for Technical Cooperation between the Government of the United States of Amerca and the Government

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of Libya signed at Tripoli, July 21, 1955.

Paragraph II

It is understood that, in order to assure the maximum benefits to the people of Libya from the assistance to be furnished hereunder by the Government of the United States, the Government of Libya intends to continue to pursue all appropriate measures to promote economic development and maintain stable economic conditions in Libya and to reduce its need for assistance for the achievement of those objectives. For these purposes the Government of Libya will make effective use of the assistance provided hereunder, and will coordinate and integrate any operations carried on pursuant to this Agreement with other technical cooperation and development programs in Libya.

Paragraph III

Recognizing that the effectiveness of this assistance program will be enhanced by the two Governments' sharing reasonably the financing of cooperative operations hereunder and by the expenditure of local currency which may derive from the assistance provided hereunder by the Government of the United States, the Government of Libya agrees:

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(a) To bear a fair share of the costs of cooperative projects or operations carried out pursuant to this Agreement; and

(b) With regard to any case where commodities may be furnished hereunder on a grant basis under arrangements which will result in the accrual of proceeds to the Government of Libya from the import or sale thereof, to establish in its own name a special account in The National Bank of Libya (referred to below as the "Special Account") and, except as may otherwise be specifically agreed by the Government of the United States, to deposit promptly in this account the amount of local currency equivalent to any such proceeds. The Government of the United States will from time to time notify the Government of Libya of its local currency requirements and the Government of Libya will thereupon make such sums available out of any balances in the Special Account in the manner requested by the Government of the United States in its notification. The Government of Libya may draw upon any remaining balance in the Special Account for purposes of economic development in Libya and for other purposes beneficial to Libya as may be agreed upon from time to time by the representatives referred to in Paragraph I.

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Any unencumbered balances of funds which remain in the Special Account upon termination of assistance to Libya under this Agreement shall be disposed of for such purposes as may, subject to approval by Act or joint resolution of the Congress of the United States, be agreed to between the Government of the United States and the Government of Libya.

Paragraph IV

(a) The Governments will, upon the request of either of them, consult regarding any matter relating to the application of this Agreement and operations thereunder. The Government of Libya will provide such information as may be necessary to carry out the provisions of this Agreement, including statements on the use of the assistance received hereunder and other relevant information which the Government of the United States may need to determine the nature and scope of operations under this Agreement and to evaluate the effectiveness of the assistance furnished or contemplated.

(b) The Government of Libya will give full and continuous publicity in Libya to the objectives and progress of the program under this Agreement, including information to the people of Libya that this program is evidence of the friendship of the people of the United States for them, and will make public, upon termination of this program and at such other times during the course of the

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program as the Government of the United States may request, full statements of operations hereunder, including information as to the use of the assistance received and the use of the local currency deposited in the Special Account.

(c) Any supplies, materials, equipment or funds introduced into Libya by the Government of the United States for purposes of any program or project conducted pursuant to this Agreement shall be admitted into Libya free of any customs duties and import taxes and shall be exempt from any other taxes, service charges, investment or deposit requirements, and currency controls.

(d) All personnel (other than citizens and residents of Libya), whether employees of the Government of the United States, or individuals and employees of public or private organizations under contract with the Government of Libya or its agencies or the Government of the United States or its agencies, who are present in Libya to perform work in connection with this Agreement and whose entrance into the country has been approved by the Government of Libya, shall be exempt from income and social security taxes levied under the laws of Libya with respect to income upon which they are obligated to pay income or social security taxes to the Government of the United States, from property taxes on personal movable property intended for their own use and, except as may otherwise be agreed between the two Governments, from the payment of any tariff or duty upon personal or household goods or their private motor vehicles brought into Libya for the

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personal use of themselves and members of their families; provided that such exemption from any tariff or duty shall not apply to such personal or household property or private motor vehicles which any of such personnel may sell in Libya to any persons not entitled to such exemptions.

(e) Funds introduced into Libya for purposes of furnishing assistance to be provided by the Government of the United States under this Agreement shall be convertible into currency of Libya at the highest rate in terms of the number of Libyan pounds per United States dollar which, at the time the conversion is made, is not unlawful in Libya.

(f) The two Governments will establish procedures whereby the Government of Libya will so deposit, segregate or assure title to all funds allocated to or derived from any United States aid program that such funds shall not be subject to garnishment, attachment, seizure or other legal process by any person, firm, agency, corporation, organization or government when the Government of Libya is advised by the Government of the United States that such legal process would interfere with the attainment of the objectives of the program.

Paragraph V

(a) The two Governments shall have the right at any time to observe operations carried out under this Agreement. Either Government, during the period of any project or transaction under

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this Agreement and for three years thereafter, shall have the right (1) to examine any property procured through financing by that Government under this Agreement wherever such property is located, and (2) to inspect and audit any records and accounts with respect to funds provided by, or any properties and contract services procured through financing by, that Government for purposes of any program or project conducted pursuant to this Agreement, wherever such records may be located and maintained. Each Government, in arranging for any disposition of any property procured through financing by the other Government under such agreements, shall assure that rights of examination, inspection and audit described in the preceding sentence are reserved to the Government which did the financing.

(b) The Government of Libya will receive persons designated by the Government of the United States to discharge the responsibilities of the Government of the United States under this Agreement and to permit such persons to observe without restriction the distribution in Libya of commodities and services which may be made available hereunder, for which purpose the Government of Libya will provide the facilities necessary for the observation and review of the carrying out of this Agreement and the use of the assistance furnished under it. The Government of Libya will grant such persons and members of their families the rights, exemptions, privileges and immunities accorded to, and such persons may be assigned under arrangements

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similar to those applicable to, personnel of the Government of the United States assigned to duties in Libya in connection with the technical cooperation programs referred to in ~~Article~~ Paragraph I above.

Paragraph VI

All or any part of the program of assistance provided hereunder may be terminated by the Government of the United States if it is determined that because of changed conditions the continuation of the assistance is unnecessary or undesirable. The termination of the assistance under this provision may include the termination of deliveries of any commodities hereunder not yet delivered.

The Government of the United States of America will consider the present note and your reply note concurring therein as constituting an agreement between our two Governments which shall enter into force on the date of your reply note.

Accept, etc.

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